

Camel Filter, Lights, and Wides: "Buy 2 Packs save \$1.00" with on-pack coupon selling well and "Buy 3 Packs get Smokin Joe Pool Table Ashtray" selling out within 2 days, both targeted to Marlboro smokers.

Vantage B1G1F and \$4.00 off cartons targeted Marlboro Lights Box. Excessive amounts of "2 for 1" product at retail. Selling well. \$4.00 off carton and \$1.00 off two packs on all packings of Vantage moving out as well.

Monarch/Best Value: Reduce selection to either Monarch, Best Value or their private label. Trying to reduce brands in this category to only one.

44 Winston Select is offering B1G1F. This is not stimulating new customers or affecting any PM brands. \$4.00 off coupons are still being placed on all RJR full margin brands, i.e., Winston, Camel, Salem. These coupons are helping movement for Camel and there is some switching from Marlboro Red and Lights. The B3G2F on Marlboro should stop this erosion.

Incentives being offered by RJR during the March period:

- "Free Ashtray with 3 Pack Purchase of Camel."
- "Free Car Visor/Organizer with 3 Pack Purchase of Now" - no impact.
- "Free Winston Sweatshirt with 2 Carton Purchase" - no impact.

Price off promotions include \$.50 off per pack up to \$1.50 off 3 packs of Winston, Salem and Camel.

Dual coupons are still affecting Cambridge sales.

Winston is offering an incremental buying program in select downstate accounts. This program consists of \$3.00 off one carton, \$7.00 off two cartons, and \$11.00 off three cartons. Retailers are being told that Winston will be presenting a catalog similar to Camel Cash. Packs are starting to show at retail with "Winston Proof of Purchase." This does not have an effect on PM brands, however, it is stimulating multiple purchases.

RJR is starting to cross promote with Nabisco brands. The Stop N Go chain is offering the following promotion: 3 pack purchase of Camel or Camel Lights enables the consumer the choice of either a free 4.25 oz. of Oreos, 8 oz. Fig Newtons, 4 oz. Ritz crackers or 6 oz. Chips Ahoy! These incentives are placed on floor displays next to the Camel 3-packs. Very high consumer impact, with some switching from Merit and Marlboro Lights reported.

As the racing season begins, Winston is aggressively promoting "The Winston Cup Point Challenge." This contest includes 20 races. There are three prizes: one grand prize at every race, a '93 Grand Am; 100 second prizes of Winston leather jackets; and 24,000 third prizes of Winston racing cards.

IV. CUSTOMER / KEY ACCOUNT DEVELOPMENT

Section 41

Anchor Cigar Company- Wholesale Masters accepted. Account now carries Basic at our request to defend against their competition. The account's records show PM USA at 50.2% SOM for 1992 and GPA Shield with 82.8% of the low-end business.

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A. Guarnieri & Co.- Account salesmen are getting a penny or two in their paychecks to sell RJR Best Choice. This has created a 6th competitor for PM reps. According to the account's records, PM USA averaged 46% of the business for 1992 and Basic has 72% of their low end business.

Con Sun Foods (36 stores) - Account has agreed to place Marlboro counter displays on all registers with no payment due to the profitability of the brand. Con Sun has agreed to review a new proposal for Retail Masters between 10/31/93 and 11/24/93. Account signs all merchandising contracts on a yearly basis and this will be presented to coincide with their 94 business plan. Three stores will be tested between now and then to work out co-existence with RJR. Pack fixturing at this time and the payment based on current volume are the two major concerns.

Emro Company/Bosart Co. - Springfield, Ohio - Top To Top meeting, 3/26/93. Topics of discussion: 40% deep discount for Wholesale Masters, confidentiality of sharing other manufacturers inventory, and share information, SBOs.

Follow Up: Forwarded information on the 40% deep discount category share for Wholesale Masters. First SBOs will be presented 4/9/93.

Hooks Super X - Cincinnati, Ohio - Announced restructuring plans, March 26. The firm which operates 1,165 stores said it will consolidate the three operating units into a single company. No information available yet on local impact. However, we assume all decisions will be made in Cincinnati.

First National - Signed Retail Masters at full participation for all 36 self serve locations. Accepted Basic and Marlboro incentive express checklane fixture. Anticipating retail roll-out 4/93. MAT 2 pk co-funded displays are currently at store level. A total of 912,000 units were purchased to support a 4 week program.

Kroger Cincinnati - Top To Top meeting, 3/26/93. Topic of discussion, Retail Masters. The principals were reviewed and Philip Morris's position on enforcing the principals in return for financial reward clearly communicated.

Follow up: Meeting held with Merchandise Manager, Mike Jack and Assistant, Greg Egbers, April 2nd. We have agreed to the following as our anchor position: (Level 1) 35% of package space, merchandised vertically w/signage parity on the fixture. Third and 4th shelf on the carton fixture with parity signage. POGs to be back in PM's possession by 4/16/93 with complete implementation by 4/30. Mike also expressed interest in the express lane fixture.

Kroger Columbus - Nearing the end of the carton and package implementation process. Still waiting for status of package and carton fixture inserts and aisle marker inserts to enable full participation implementation. Ordered package and carton inserts in early January and aisle marker inserts in February.

Five pack checklane displays still have no PO# from NYO. Sent quote to Brian Little NYO w/o 2/22/93 - no response to date.

Phar Mor - Contract negotiations are ongoing.

Thrift Drug - Implementation of Retail Masters to begin upon receipt and distribution of copy of Thrift's Merchandising Bulletin Plan-o-Gram; buyer has promised receipt of Bulletin NLT 4/06/93. Wholesale Masters to be presented 4/93.

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Kroger Corp. - Kroger's Corporate has decided to have a smokeless organization. All stores have a **NO SMOKING** policy which includes break rooms and management offices and Kroger Corporate Offices.

Retail Masters- Full implementation of our current accounts signed to RM's contracts are being limited due to the unavailable status of the following items:

- New style counter displays
- CF displays
- Springload package fixtures
- 5 and 10 wide merchandising fixtures
- OHPMs
- Various pieces of POS items

SRs indicate that on an average, 1.5 to 2 calls can be competed, while other calls may be taking all day for a two person team to totally implement our programs. Many SRs are expediting this process by having their RMs ship all materials directly to accounts.

Section 42

F&M - Featured a \$3.00 off coupon in their flyer for Michigan stores only. This promotion was worked in relation to their Flex Fund and the \$3.00 coupon was valid for 10 days. This promotion produced 132 additional Marlboro cartons per store in the 34 Michigan stores. F&M was pleased with the results and have vowed to offer additional Marlboro promotions in their stores.

Currently, RJR is placing a large CF fixture in all F&M locations, thereby, giving RJR the competitive advantage with this account. We are currently preparing presentations that will be made to F&M in response to RJR's activity. We will be looking to feature our CF display, or possibly, converting our current pack fixture to a pack/promotional type custom unit. This will be presented to F&M during the next week.

Hop-In - It was reported earlier that Rich Mione has been replaced by Sue Wethington. To date, Sue has been most cooperative concerning PM promotions and has been most supportive of the Retail Masters program to include Flex Fund promotions.

Perry Drug - The buyer, Martie Karr, is no longer in this position and has not yet been replaced. Prior to Martie leaving this position, he accepted all packings of Basic with a counter display to be featured in all stores. This program will not be finalized until his replacement is named and our program must be re-presented in order to gain acceptance.

K-Mart - We are currently developing additional Plan-O-Grams for acceptance at K-Mart headquarters prior to distribution throughout the nation. Buyer, Don Williams announced this week that they will be changing their merchandising to vertical alignment on carton and package fixtures. He also announced that they will accept full packings of Basic and look to include GPCs and Monarch at some point in the future. We continue to work with George Moreo in the NYO, as well as George Schipes with K-Mart headquarters, to work out details for our checklane displays in all stores. Hopefully, all issues will be resolved with K-Mart by end of April and conversion of merchandising will begin by this date.

Source Club - Four additional Source Club stores are scheduled for opening. The four new stores will be similar to the three current stores in Taylor, Fraser and Okemos.

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Admiral Petroleum - The re-fixturing of the Admiral stores has been completed. By completing this project, an additional eight new locations have been installed with PM carton fixtures.

D&W Supermarkets - Will be set with centralized pack springload fixtures next week. Also, a few stores will be moving cartons to non-self service locations, with PM occupying the top two shelves. D&W has been signed a Level 1 contract.

Garbko 7-11 - 140 fixtures are due to arrive from the manufacturer 4/02/93. RMs will begin distribution of these fixtures to retail outlets the week of 4/05/93. Targeted completion date is 4/15/93.

Section 43

Retail Masters has been signed in 55.5% of our accounts, accounting for 67.7% of our volume.

Many Direct Accounts are still requesting some type of promotion to reward their sales personnel with MAT items.

Rich Oil - Classified and signed this new chain account (subsidiary of Super America) to Retail Masters. Ninety-two stores effective 3/93.

Coleman Oil - Classified and signed (25 store chain) effective 5/93.

Taylor Drug - (Louisville, KY 34 store drug chain) presented Retail Masters - pending.

Section 44

F & M - F & M stores have instituted a store-wide "No Smoking" policy. This includes the cafeteria area of the store. In fact, the policy is that smokers must be 20 feet from the store when smoking.

Walgreens - All Retail Masters agreements have been signed for each Walgreens District. All information has been sent to the appropriate field personnel. Any new stores opening after April 9, 1993 will have PM package fixtures.

Osco Drug - The 500 customized price signs will be available for Osco stores in May. These signs will be shipped to appropriate warehouses based on store location.

Clark Oil - Has added distribution of GPC to all stores. POS includes counter displays and exterior price banners.

Effective July 1, 1993, Clark Oil employees are not allowed to smoke while on the job, even outside the building. Clark will pay for employees to attend a Quit Smoking clinic. If they are caught smoking once, pay is withheld, and second violation results in termination.

V. OTHER

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Region Events

Section 41

J.F. Walker Trade Show - Held at the Ohio Center in Columbus, March 20 and 21. Sales of Marlboro totaled 1,181 cases, up 16% from 1992 show.

Section 42

Our college recruiting program with Michigan State Univ. continues with screening and panel interviews being conducted, March 23 and 24. We identified one strong development candidate that is a December, 1993 graduate. We intend to offer this individual a summer intern with strong consideration for a post-graduation development position.

Mark Lamberies, Vice President of Operations for Glen's Supermarkets, has accepted our invitation to the Kentucky Derby. We will arrive in Louisville together on April 29.

Section 43

The Derby promotions are well on their way to being a success. Product is booked in for the 1st and 2nd week of April.

Section 44

B & W has added seven new suburban territories to increase call frequency in high volume accounts. Highest volume accounts could receive two sales rep contacts per week along with couponer visits.

RJR has offered an account in Indiana \$270.00 per month for the top three shelves of a PM carton fixture.

SMSI has been contacting retailers for placement of B & H Kings POS for payment. Retailers wonder who these people are and what happened to their PM rep. Results may have been better if our sales force had told these accounts they would be contacted.

With the opening of Wholesale Clubs in the city, some small distributors are now buying product from Sam's Club and Pace. This is happening because these accounts do not raise their prices immediately after a price increase. In order to participate in manufacturer buy-ins, there are qualifying purchases, but the old price is available on all product at these outlets.

Marlboro Van Test - Early results are very positive. Both retailers and consumer enthusiasm is high. Consumer contacts have varied from 80 - 100+ in a four hour period, depending on factors such as weather and day of the week. In one account, 90% of all cigarettes sold were Marlboro during the five hour period while the van was there.

In the Sterling-Rock Falls area, the Eby Brown rep is refusing to order Basic for his accounts. The accounts are told they must call the order in themselves. In this area, the rebates on Basic are \$1.00 to \$1.25 less than on Best Buy.

Selected reps and UM participated in the 18th Annual Inner City Liquor Assoc. and Central City Foundation from March 11 thru March 13 at the Congress Hotel. Over 50 exhibit booths displayed various products that were given away by participation in games or for the benefit of the scholarship awards. Competitive tobacco companies were represented by PM to create incremental sales via a retailer. Philip Morris personnel, product, and innovative sell approach proved again that we are Number One.

MARCH MONTHLY HIGHLIGHTS

REGION 5

I.	<u>VOLUME (4/15/93)</u>	<u>Month</u>	<u>YTD</u>	<u>% Change YTD</u>
	Marlboro	399.3	4,450	-21.9
	Premium	164.9	1,866	-25.1
	Discount	349.3	2,298	67.5
	Famous Value	181.6	1,061	100.0

A. New Products

Marlboro 5-Pack

Some retailers are discarding the 5-pack wrapping and selling them individually. Consumer and retailer perception of packing is that it is promotional in nature and not a true extension of the Marlboro family.

In Section 51, distribution and sales continue to decline. Fred Meyer and United Grocers have dropped the 5 Pack due to decline in sales. Promotional support is recommended.

In Section 53, RM's customization of pack racks using a customized 5-pack insert has created good visibility. However, creating concerns over our customized budget. A MAT Double the Miles promo designed for the 5-pack would have greatly assisted maintaining distribution during MAT.

Virginia Slims 10's

Reports in the Los Angeles market indicate this brand is going very slowly and has lost distribution, primarily due to mediocre consumer response and competitive pressure from discount brands. The current B1G1F promotion should curtail additional decline in distribution. Reports also indicate some of the brand's customers perceive it to be free samples and refuse to purchase them.

It has been confirmed with the State of Nevada, Department of Taxation that heat stamps are available for wholesale use.

Basic

Retailers continue to be concerned over a perceived lack of commitment to everyday low price on behalf of Basic. However, recent commitment to promotions (B2G1F) has certainly aided in our efforts to increase distribution and our strength with Retail Masters penetration will enhance our leverage in this area.

Benson & Hedges Special Kings

In the Hawaii market, movement and distribution has increased with the 2-pack/cap promotion. Distribution at 7-Eleven's continues to spark awareness.

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B. Full Margin

Marlboro Adventure Team

Account backlogs is becoming an area of concern, as many accounts are unable to purchase more than one week's supply.

Consumers report excitement over the Miles and classified ads have appeared offering 5¢ for individual UPC labels.

New York sent a survey to all Unit Managers needing extra rafts, backpacks and sleeping bags for flex fund promotions and based these allocations on their responses. One problem was that Account Managers were not surveyed and therefore, a lot of accounts were excluded. SOM's were not advised of the Unit Managers responses in order to allocate their requests.

Marlboro Van Program

In Section 51, early responses from retail for the new Van Program has been very enthusiastic. Virtually all headquarter accounts presented have accepted.

In Section 53, Managers had to assist Powerforce in recruiting in order to meet deadlines for Market Managers and Van personnel. Also Powerforce had not communicated special circumstances requested in specific Markets as previously indicated. Once implemented, it is being met with great excitement in all Units and especially in partnering with Chains.

Marlboro Lantern Promotion

Promotion has sold well in most high volume locations in Section 54. Usually taking 2 weeks to sell out. Section 53 accounts, especially with the 100 deal, expressed an interest in maintaining the display for an extended period of time with constant refills.

Players Canadian Style

In Section 51, the brand continues to expand in sales and distribution in border areas. Sales have been reported as far as southern Idaho where apparently Canadians are purchasing the brand in route to Nevada.

C. Price Value

Cambridge

Los Angeles market, the \$4.00 Coupon with Bounce Back promotion was a good strategic tool in high volume price value carton outlets. However, in independent accounts this promotion was not as effective due to the heavy activity in the Black & White category.

In Section 51, the current high value Cambridge coupons of \$4.00 and \$5.00 continues to be unmatched by RJR. This in combination with the expanded test of PV in Section 51 has enabled us to drastically increase sales for Cambridge in high volume accounts.

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Cambridge sales in Colorado have exploded (up 34%) for the first 2 months of '93. Our part-timers are making an impact at retail. \$4 and \$5 coupons are blowing out of stores however, RJR has not matched our \$5 and we will roll back high volume accounts to \$4. In Arizona, RRJ is matching our \$4. Beginning in the 2nd Quarter, we will go to \$5 in Native American Account with buy downs. Section 53 also reports an increase in sales due to hiring of the DBM who are better able to cover our high volume price value accounts. However, a concern exists with the recent 2nd quarter budget which is a REDUCTION from the 1st quarter where we had no DBM's. Will we be able to maintain sale with the reduction of coupons?

D. Famous Value Brands

In Section 51, there are many instances where we are disadvantaged competitively with price and we are using our Basic Program to compliment FVB in these stores. However, local RJR and B&W buy down initiatives are sporadic and often difficult to combat. We continue to use Retail Masters as a leverage and to encourage one tier pricing for deep discount.

III. COMPETITIVE ACTIVITY

A. R.J. Reynolds

In Section 54, \$3.00 carton coupons are being placed on nearly all RJR full margin brands (Winston, Camel, Salem, and Vantage) and have been seen in high volume carton outlets. This is maintaining sales to current smokers of these brands. Section 53, however had seen an increase in all Markets of coupon values of 50 cents per pack and \$5.00 per carton on Winston, Camel, and Salem.

Camel Cash Volume III 2-Packs Get Triple Cash is a slow seller in the Los Angeles/San Diego markets. It seems to be targeted against the MAT sleeved product. They are trying to pull down MAT POS wherever possible. Retailer feedback indicates they prefer our MAT program, due to the quality of items in the catalog.

In Section 51, RJR recently announced a 75¢ incentive to direct accounts on Monarch, which could have significant impact in the deep discount category.

RJR continues to show no response on behalf of Doral toward high value couponing on Cambridge in Section 51. Average values appear to be between \$2.50 and \$3.50 and an occasional \$4.00 coupon in Montana.

Recently in Section 53, RJR has been attempting to obtain co-funding from the retailers on 150 carton floor display of mixed RJR cartons. RJR would pay \$3.00 per carton, including existing inventory, if the retailer would kick in \$1.00. Albertsons refused but accepts PM co-funding. Independent co-funding has met with limited results.

In Portland, it has been noted that RJR is placing special plastic advertising pieces on vending machines calling out triple Camel Cash certificates to the consumer. RJR has become a sponsor for the Anchorage Fur Rendezvous Festival. Using banners in highly visible locations at the sled dog races and distributing a Camel/Fur Rondy/Alaska T-shirt as part of a retail pack promotion.

\$5.00 buy down on Doral in Indian Outlets in the Phoenix District with \$4 couponing starting in carton outlets regardless of our coupon values. There is a strong POS push to attempt to offset our MAT. They are targeting accounts participating in MAT with their Camel Cash Promotion.

The Paiutes in Las Vegas have brought in large quantities of Winston and Camel product offering multi-carton deals such as Buy 2 Cartons Get 1 Free with a \$4 coupon. The reduced price is advertised on the deals and effected Marlboro sales during March. It appears that the consumers buying this deal are coming from deep discount.

In Section 53, RJR is now accepting 2nd position in Retail Masters select locations for full payment if they have an overhead or Camel lighted sign .

Reports in District 71 indicate that RJR's full time sales force has been reduced and they no longer carry a large inventory of product. The sales force has been doing telemarketing into large volume accounts, selling in promotions. RJR has hired part-time employees that can work up to 40 hours per week. RJR currently has a hiring freeze on full time employees. They still have promo reps that carry product and implement promotions.

In the Los Angeles/San Diego markets, and San Francisco Markets, Bonus Value, a new Private Label which is being sold at Costco, is gaining in distribution and sales. Currently being priced at \$1.13 less per carton than Basic. Most retailers are selling both brands at the same price and making the higher gross profit from this new brand.

B. Brown & Williamson

In Section 54, Capri \$2.00 VPR being offered instead of coupons and 50¢ off a pack still continues. 2-pack with free Wake Up Mug selling well due to unique package and incentive. Kool continues to coupon cartons at \$3.00 off and 50¢ off packs. Pack sales have shown limited movement. In Hawaii, sales reps continue to focus on Kool POS placement.

Promotions in Section 51 generally center around price discount, where full margin brands such as Kool and Capri are discounted between 35¢ and \$.50 per pack. Price value brands such as Viceroy are receiving a 30¢ per pack discount and Raleigh Extra \$1.00 and \$1.50 coupons. GPC discounts up to \$1.50 per carton at retail. GPC obviously having the biggest impact on PM's ability to obtain 40% share of deep discount. However, the strength of our sales force and leverage of Retail Masters combined with the current Basic initiative should allow us more impact in this area.

GPC will be changing its packing style in 5 States, one of which is Utah with this new product arriving sometime mid-April.

GPC is increasing in volume in most accounts in the Phoenix District. We have received conflicting reports of buy downs in Indian Outlets to bring GPC price below that of Basic and RJR's black and whites.

In Section 54, B&W continues to make payments of between \$15.00 and \$25.00 for placement of their change mats and banners.

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C. American

In the Los Angeles market, a B1G1F promotion is currently offered on Misty, which has a higher perceived value than our 10-pack. This is having a negative impact on our 10-pack sales.

In Section 54, Montclair, Riviera, Misty and Bull Durham are being bought down to the Deep Discount price in high volume Deep Discount stores. Montclair, in particular, is benefiting from the buy-down. Section 53 promotions also include offering \$1.50 off a 3 pack purchase.

In the Phoenix District, they are continuing \$5 off carton coupons on Carlton Slims. Majority of the sales are coming from Carlton 100's and Carlton 120's smokers. Overall sales are poor.

Section 53 and 54 reports the new Carlton Slims Box packings have gained distribution with very slow sales. Being priced at 50¢ off per pack. In carton outlets, this brand has \$5.00 coupons being merchandised in a 30-carton floor display.

D. Liggett & Myers

In Section 54, Chesterfield Filter and Lights have a B1G1F in many accounts, with slow to non-existent sales. Section 53 Nevada Smokeshops are offering Pyramid at buy 1 carton get 1 carton free. Sales good. Eve, Lark and Chesterfield are offering buy 1 carton get 1/2 carton free. Very poor sales noted.

E. Lorillard

In Section 54, Kent, Style, and Newport are all offering B1G1F deals which has helped maintain their current business. They are also offering retailers \$4.00 for placing decals on front door windows. True offering a B1G1F with little sales movement. Newport offering a variety of promotions: 50¢ off pack in counter displays and dump-bins, Newport Box B1G1F, and \$5.00 coupons on all packings of Newport in carton outlets. In Section 53 a free clear plastic mug with a Newport Race car sealed in the bottom is being offered with a 1 and 2 pack purchase. Excellent sales noted on this promotion.

IV. CUSTOMER DEVELOPMENT

Sato Distributing, Commerce, CA

All MAT 2-pack product has been sold. YTD business has declined only 3% due to 400 returned cases of Marlboro B1G1F. Participation in the recent buy-in was minimal due to the enormous stock on hand and lack of financial incentive for large purchases.

Costco, Southern CA

Sales of MAT 2-pack continue to be sluggish. YTD sales are down 36.2% due to residual stock from the December buy-in. Costco did not participate in the recent buy-in due to excessive inventories still on hand.

USA Petroleum, Santa Monica, CA (95 stores)

Due to implementation problem, account was advised that Retail Masters payments would be terminated effective April 1. Awaiting final decision.

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Kennedy Wholesale, Glendale, CA

Agreed to accept Basic and discontinue Value Crest to improve chances of meeting the 40% rule. They are assessing the elimination of other discount brands.

Vons, Arcadia, CA (343 stores)

100% participation in buy-in program. Marlboro 4 ft. package fixture has arrived at our warehouse. Actual start date is 4/6/93. Uniform Communication Standard System is working very well.

7-Eleven, Brea, CA (577 stores)

Presented Second Trimester Menu of PM promotions. Every 7-Eleven market manager has a copy. This should make it much easier at retail for the sales reps.

Alpha Beta/Food 4 Less, Brea, CA (168 stores)

Meeting with account on 4/12/93 to discuss the signing of Retail Masters. Alpha Beta did not participate in the buy-in program.

Arco AM/PM, Cerritos, CA (867 stores)

Authorized the Marlboro \$3.50-off per carton regional promotion for all stores in May. Arco will pre-book 450 cartons per store and will co-fund another 50¢ per carton and take the price to \$1.97 per pack. A total of 382,500 cartons of Marlboro will be sold during this promotion.

Ralphs, Los Angeles, CA (155 stores)

Approved the express checklane Marlboro package prototype. We will be manufacturing a similar unit for all stores with a section available to merchandise the Marlboro 5-Pack. The 3 ft. package fixture in the lobby will merchandise PM brands and promotions.

Circle K, Brea, CA (720 stores)

Authorized the Marlboro Van Program. Account is selecting approximately 100 stores to participate in the program.

Thrifty Oil, Downey, CA (230 stores)

Authorized the Marlboro Van Program for all open-door stores. PM representatives will be presenting this program to Thrifty stores once all Retail Masters presentations have been completed. Account is considering adding additional Black & White brands; currently GPC and VPR (RJR's Private Label) are in distribution. Information on Basic was provided to the account.

McLane, Southern CA

Purchased approximately 50% of their entitlement during the price increase program. Corporate did not permit further buying due to the 20-week supply that this McLane branch is carrying.

The McLane Trade Show was held on March 12, 1993, at the San Diego Convention Center. A total of 10,000 Marlboro cartons were sold. These orders will be shipped by McLane in mid-April.

Account has signed to participate in the 1993 Masters in Distribution Performance Program.

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Smart & Final Iris, Vernon, CA (120 stores)

Account authorized the Marlboro Van Program. Also took full advantage of both buy-in programs for the price increase. They will run a Flex Fund promotion mid-April using Flex Fund dollars, \$81,000, accumulated in 3rd and 4th quarters 1992. The promotion is: purchase a carton of Marlboro and receive a free 10-pack of Bic pens. The promotion will be advertised in the SFI in-store circular -- "Smart Shopper".

All 5 packings of Premium Buy have been discontinued due to slow sales. Basic will remain in distribution and count as the PM "Black & White".

RJR would like to gain improved merchandising position on the fixtures and account would like to start receiving merchandising dollars from RJR. A vertical merchandising set was proposed by RJR/SFI. The proposed sets allocated PM 45% and RJR 25% of the fixture. In addition, the account was informed that vertical merchandising is acceptable to PM on the gondola shelving, however it is unacceptable on the PM Vision 2000 units. Account is now considering having two PM Vision 2000 units and one RJR carton fixture in order to maximize their merchandising dollars.

7-Eleven Southwest Division (460 stores)

Account did not earn the Growth Fund Bonus. Authorized the Marlboro Van Program for presentations and sell-in to all stores. Excited about the sales this will generate. The OPM retrofit program is currently underway in the San Diego area.

Lucky Stores, Buena Park, CA (242 stores)

Account took full advantage of the price increase buy-in programs. The Marlboro Van Program has been presented and is awaiting approval by the Buying Committee. Account has been presented the 1993 Masters in Distribution Performance Program. Still awaiting the signed participation agreement.

Lucky's has a Flex Fund of approximately \$120,000 which has accumulated from 3rd and 4th quarters 1992. The account has until April 30, 1993, to perform or lose these promotional dollars. Account is considering the following promotion: "Buy 1 carton of Marlboro, receive a liter of Coke". This will have to be approved by the Buying Committee.

Sav-On/Osco Drug, Anaheim, CA (310 stores)

Eighteen (18) Sav-On locations have been implemented with our SL 171 package fixture. The remaining 47 locations are scheduled to be completed the week of 5/23/93.

We have negotiated to run a \$2.00-off a carton of Marlboro Flex program beginning the week of 4/11/93. All Sav-On/Osco locations will participate. Program will run nationally.

Allocation Program Participation Level:

Period 3/15/93 - 3/19/93 -	40%
Period 3/22/93 - 3/31/93 -	0%

Safeway, Bellevue (178 stores)

This chain has officially refused Retail Masters in 1993 expressing their feeling that PM is completely inflexible and the Retail Masters values do not fit their business strategies. However, they have expressed interest in beginning negotiations for a 1994 agreement.

Jackpot (167 stores)

They have agreed to place overheads in the California and Nevada stores. Implementation will begin as soon as fixtures are available.

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Payless Northwest (390 stores)

We have been advised that they will be adding 8 packings of L & M deep discount brands to give Payless protection against Basic price swings.

Fred Meyer (118 stores)

Has agreed to accept Basic and will continue to carry Best Buy. Additionally, we were informed that Fred Meyer is considering a private label manufactured by RJR.

7-Eleven (430 Stores)

They have a Corporate Policy against discounts which, if not changed, will greatly hinder them on the Region 5 Marlboro Initiative. Even if the budget is spread out to other accounts, this will still hurt us due to 7-Eleven's widespread coverage. SAM Bern Nilson will meet with Corporate Management on this.

Westpac Wholesale

RJR presented a Private label called Cavalier to combat Basic.

<u>Cavalier Wholesale Program</u>	
List Price kings	\$7.84
Off invoice	-1.30
Accrual Fund	.53
90 day intro period	.80
Price	\$5.21

Westpac Partners have agreed to accept Basic in place of AAV for the remaining 15 month original agreement even though PM's carton price continues to be 30 cents higher than our competitors.

Southland Northern Cal (Pleasanton; 498 stores)

This Division did not meet Full Margin Growth fund with only a 1.9% growth for the 6 month period. They further refused any pre-books during 4th quarter which contributed to this. Currently 89% of stores are at full participation.

Safeway Northern Cal (Fremont; 235 stores)

Marlboro Leadership accepted and will be supported by in store flyers for a 4 week period. Concerns exist regarding overselling volume covered by the allowance as scanning data has a 3 week lag.

Luckys Northern Cal, San Leandro, CA 188 stores

Leadership accepted but awaiting approval from Division Management by April 22. They currently are in the process of moving single pack to non-self serve in service centers at selected stores. Carton racks have been reduced to 6'.

VI. ORGANIZATION/PERSONNEL

Region 5's Human Resource Department is now fully staffed.

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VII. MISCELLANEOUS

In Section 51, a proposed cigarette tax increase House Bill of \$1.00 per pack was defeated in Montana.

Richmond Quality Control has contacted Section 1 realting to qualtiy issue on Basic Full Flavor Kings where approximately 387 cases of the FULL Flavor Kings were filled iwht Menthol product. This product was shipped back to Richmond.

SR planner in call books has helped SR identify accounts for promotions. However if control numbers could also be printed, this would help in calling orders into PM Express.

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